

## Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ADP-00 SSO-00 NSCE-00 /026 W

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O 042325 Z JUL 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 4768

S E C R E T SECTION 1 OF 2 SANTIAGO 2918

EXDIS

EO 11652: GDS

TAGS/ CI, PFOR, OCON

SUBJECT: NEXT STEPS

1. SUMMARY. DURING MY CALL ON FOREIGN MINISTER LETELIER TODAY, HE FIRST ATTEMPTED TO DRAW ME OUT RE OUR SUGGESTION AT LIMA MEETING THAT CHILE MIGHT ENTER BINDING ARBITRATION WITHOUT PASSING CONSTITUTIONAL AMENDMENT. I REPLIED THAT WE WOULD NOT PRESUME TO ADVISE GOC ON HOW TO ACCOMPLISH THIS UNDER CHILEAN LAW AND THAT IT WAS UP TO CHILE TO WORK OUT THESE QUESTIONS. HE THEN RESTATED GOC PREFERENCE FOR 1914 TREATY AS BEST MECHANISM FOR SOLUTION. HE DID NOT INDICATE HOW 1914 TREATY MIGHT AVOID CONGRESSIONAL INVOLVEMENT, BUT SIAID IT HAD ADVANTAGE OF BEING TREATY IN FORCE. LETELIER URGED THAT U. S. SEEK SOLUTION TO COMPENSATION PROBLEM WITH ALLENDE GOVERNMENT RATHER THAN WAIT FOR WHAT WE MIGHT HOPE WOULD BE MORE FAVORABLE SETTLEMENT WITH HYPOTHETICAL SUCCESSOR GOVERNMENT. I ASSURED HIM THAT WE WERE SEEKING SOLUTION WITH ALLENDE GOVT. IN KEEPING WITH WORLD- WIDE U. S. POLICY AND OUR VIEW OF INTERNATIONAL LAW. HE THEN ASKED THAT USG DEMONSTRATE CONSTRUCTIVE SPIRIT IN UPCOMING PARIS CLUB TALKS AND NOT CONFINE ITSELF TO INSISTING ON U. S. INTER- PRETATION OF ARTICLE 4. CHILE' S DEBT POSITION WAS GETTING STEADILY WORSE AND U. S. INSISTENCE ON TYING DEBT AND COMPENSATION QUESTIONS WAS CAUSING ADDITIONAL DIFFICULTY. I REPLIED THAT WE WOULD ACT CONSTRUCTIVELY BUT WOULD ALSO HAVE TO MAINTAIN POSITIONS OF IMPORTANCE TO US. LETELIER CLOSED BY NOTING THAT CERRO REPS WERE ARRIVING AND THAT HE THOUGHT SOLUTION TO THAT PROBLEM COULD BE WORKED OUT QUICKLY. END SUMMARY.

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2. I CALLED ON FOREIGN MINISTER LETELIER AT NOON TODAY AT HIS REQUEST. REFERRING TO THE LIMA TALKS, LETELIER SAID OUR PROPOSAL WAS UNDER STUDY, AND CHILE HOPED TO GET BACK TO US WITHIN THE ADP000  
SECRET

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ACTION SS-25

INFO OCT-01 ADP-00 SSO-00 NSCE-00 /026 W

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O 042325 Z JUL 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 4769

S E C R E T SECTION 2 OF 2 SANTIAGO 2918

EXDIS

5. LETELIER THEN LAUNCHED INTO AN ARGUMENT HE HAD MADE BEFORE - THAT WE ARE DELUDING OURSELVES IF WE THINK A SUCCESSOR GOVERNMENT TO THE ALLENDE REGIME WOULD BE ABLE TO NEGOTIATE

A SETTLEMENT MORE SATISFACTORY TO US. LETELIER REFERRED TO LAST FRIDAY'S COUP ATTEMPT, AND SAID WE SHOULD CONSIDER WHAT MIGHT HAVE BEEN THE SITUATION IF THE COUP ATTEMPT HAD SUCCEEDED. A SUCCESSOR GOVERNMENT IN THOSE CIRCUMSTANCES WOULD FIND ITS HANDS TIED MUCH TIGHTER BY NATIONAL PRIDE AND THE POWERFUL OPPOSITION OF THE LEFT, AND FIND ITSELF MUCH LESS ABLE TO DEMONSTRATE FLEXIBILITY THAN THE GOVERNMENT OF SALVADOR ALLENDE. LETELIER ADDED THAT A POST-1976 GOVERNMENT WOULD FIND ITSELF IN THE SAME POSITION. NOTING THAT I WAS ACCREDITED TO THE PRESENT CONSTITUTIONAL GOVERNMENT OF CHILE AND TO ITS PRESIDENT, I SAID I COULD ASSURE FOREIGN MINISTER LETELIER THAT THE U. S. POSITION ON THE COPPER QUESTION WAS IN NO WAY BASED ON ANY SUCH CONSIDERATIONS AS HE WAS ALLUDING TO. OUR POSITION IS BASED ON PRINCIPLE AND WORLD WIDE POLICY, INCLUDING OUR VIEW OF INTERNATIONAL LAW, OUR RESPONSIBILITIES REGARDING U. S. INVESTMENT WORLD- WIDE, AND OUR POLICIES REGARDING THE ROLE PRIVATE INVESTMENT SHOULD BE ABLE TO PLAY IN THE TRANSFER OF RESOURCES AND TECHNOLOGY FOR DEVELOPMENT. I ASSURED LETELIER THAT WE REGARDED THE NATIONALIZATION AND DEBT QUESTION AS OBSTACLES - IF NOT BOULDERS- IN THE ROAD WE DESIRE TO TRAVEL WITH CHILE TOWARD THE RESOLUTION OF OUR DIFFERENCES. WE ARE NEGOTIATING CONSTRUCTIVELY AND IN GOOD FAITH.

6. LETELIER TURNED TO THE FORTHCOMING PARIS MEETINGS, AND ASKED THAT WE DEMONSTRATE A CONSTRUCTIVE SPIRIT AND NOT TRY

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TO PROPEL THE MEETING ONTO THE ROCKS OF OUR NATIONALIZATION DISPUTE. LETELIER SAID THAT THE SPIRIT WE DEMONSTRATED AT PARIS WILL BE VERY IMPORTANT FOR THE FUTURE PROSPECTS OF OUR BILATERAL NEGOTIATION. IF WE OBSTRUCT THE PROCEEDINGS AT PARIS, AND BLOCK A DEBT RENEGOTIATION, THIS CANNOT HELP BUT EFFECT THE ABILITY OF THE CHILEAN GOVERNMENT TO MEET US HALF WAY AND WORK TOWARD SOLUTIONS IN THE BILATERAL CONTEXT. IN PARTICULAR, LETELIER URGED THAT WE NOT AGAIN SINK INTO THE QUAGMIRE OF ARTICLE 4. PURSUING OUR INTERPRETATION OF ARTICLE 4, LETELIER SAID, WOULD BE A DESTRUCTIVE AND STERILE ENTERPRISE. WE CANNOT AGREE ON ITS INTERPRETATION, AND THE BEST THING TO DO IS TO PUT IT BEHIND US. I SAID THAT I BELIEVED OUR WILLINGNESS TO LAY ASIDE ARTICLE 4 FOR THE MOMENT, AND EXPLORE ARBITRATION, WAS A BIG STEP ON OUR PART. HOWEVER, WE HAVE NOT ABANDONED ARTICLE 4, NOR OUR POSITION THAT IT IS A CHILEAN COMMITMENT. WE ARE CONSTRUCTIVELY EXPLORING THE POSSIBILITY OF A THIRD PARTY MECHANISM TO RESOLVE OUR DISPUTE - AS THE CHILEANS PROPOSED. LETELIER SAID HE RECOGNIZED THAT WE MIGHT HAVE TO REITERATE OUR FORMAL POSITION REGARDING ARTICLE 4 AT PARIS, BUT THE IMPORTANT THING WAS THE STYLE AND EMPHASIS OF OUR ACTION AT THE PARIS MEETING. HE HOPED IT WOULD BE CONSTRUCTIVE, NOT OBSTRUCTIVE. I ASSURED LETELIER THAT WE WOULD ACT CONSTRUCTIVELY, ALTHOUGH WE WOULD ALSO HAVE TO MAINTAIN THE POSITIONS WE HAD. LETELIER SAID HE UNDERSTOOD THAT AND CHILE WOULD OF COURSE DO THE SAME.

7. LETELIER EXPRESSED HIS CONCERN THAT THE SITUATION REGARDING CHILE'S DEBT OBLIGATIONS WAS GETTING WORSE, AND OUR INSISTENCE IN TYING DEBT RENEGOTIATION TO THE NATIONALIZATION QUESTION WAS MAKING IT IMPOSSIBLE FOR CHILE TO RENEGOTIATE AND MEET HER COMMITMENTS. THE RESULT WAS THE GUMMING- UP OF THE WHOLE AFFAIR. WE SHOULD REALIZE THAT EVERY MONTH OF ADDITIONAL DELAY IS MAKING IT MORE DIFFICULT FOR CHILE TO REGULARIZE THE PAYMENT OF ITS DEBT. LETELIER MENTIONED IN PASSING THAT WE HAD GOTTEN THE FMS QUESTION OUT OF THE WAY, AND THAT WAS A STEP FORWARD. HE THEN REFERRED TO THE IFI'S, DESCRIBING CHILEAN VIEWS ALONG NOW FAMILIAR LINES.

8. LETELIER SAID CERRO REPRESENTATIVES WERE DUE TO ARRIVE IN SANTIAGO ALMOST IMMEDIATELY, IF THEY WERE NOT ALREADY HERE, AND EXPRESSED OPTIMISM THAT A SOLUTION TO THE CERRO PROBLEM COULD BE WORKED OUT QUICKLY. IN THIS CONNECTION HE MENTIONED SECRETARY ROGERS' EXPRESSION OF INTEREST.

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9. AT THE VERY BEGINNING OF LETELIER'S AND MY MEETING, WE CONVERSED BRIEFLY ABOUT THE DAMAGE SUFFERED BY THE MONEDA LAST FRIDAY. IN CONNECTION WITH LAST FRIDAY'S EVENTS, I TOLD LETELIER HOW SORRY I WAS AT THE DEATHS WHICH HAD OCCURRED,

AND HOW THANKFUL I WAS THAT THERE HAD BEEN NO MORE OF THEM.

DAVIS

SECRET

NNNNMAFVVZCZ

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\*\*\* Current Classification \*\*\* SECRET

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